



WEEKLY ECONOMIC DIGEST

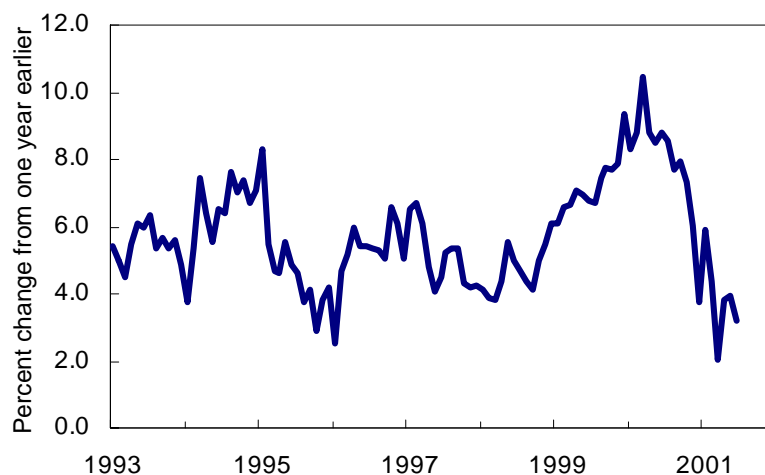
JOINT ECONOMIC COMMITTEE—DEMOCRATIC STAFF
SENATOR JACK REED (RI), VICE CHAIRMAN



July 17, 2001

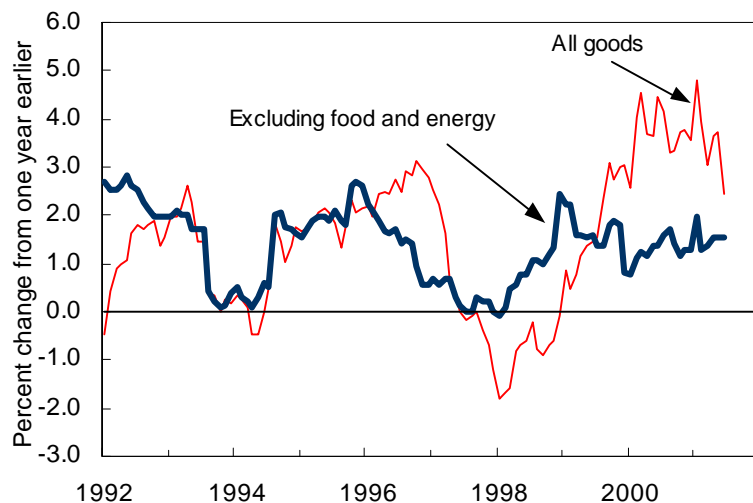
Sales Slow and Inflation Stays Low

Retail Sales Excluding Motor Vehicles



Source: U.S. Census Bureau, U.S. Department of Commerce.

Producer Prices for Finished Goods



Source: Bureau of Labor Statistics, U.S. Department Labor.

- **Retail spending slowed in June.** Advance estimates indicate that growth of retail sales slowed to 0.2 percent in June. Excluding motor vehicle sales, however, retail sales fell 0.2 percent from May's level—most analysts had been expecting a small increase. Part of that slowing was due to a sizeable drop in retail gasoline prices and may not reflect a change in real consumption. Even so, retail spending excluding motor vehicles and gasoline did not grow in June.
- **Producer prices fell in June.** The Producer Price Index for finished goods fell 0.4 percent from its May level, largely due to a 2.5 percent monthly decline in energy. Excluding both food and energy, producer prices for finished goods grew a meager 0.1 percent in June.
- **Import and export prices fell.** The prices of imported goods dropped 0.5 percent in June, reflecting a 1.3 percent decline in petroleum import prices along with a 0.4 percent fall in the prices of other imports. The weakening economies of our leading trading partners depressed export prices, which fell 0.3 percent in June.
- **Consumers anticipate a temporary drop in inflation.** According to the University of Michigan's Surveys of Consumers for early July, declining energy prices have led consumers (particularly those in the West) to lower their inflationary expectations for the near term, though their expectations for the long term were unchanged. Overall consumer sentiment rose slightly, but it remained well below last year's level.

ECONOMY AT A GLANCE	Jun	May	Apr	Mar	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000 Qtr 3	2000	1999
Economic Activity										
Real GDP (% growth)						1.2	1.0	2.2	5.0	4.2
Industrial Production (% growth)		-9.2*	-7.0	-2.4		-6.7	-0.9	3.5	5.6	4.2
Capacity Utilization(Level, %)		77.4*	78.2	78.8		79.2	81.3	82.4	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.5	4.4	4.5	4.3	4.5	4.2	4.0	4.0	4.0	4.2
Housing Starts (Thousands)		1622	1629	1592		1627	1539	1505	1575	1647
Real Disposable Personal Income (% growth)		0.9	.1	5.4		2.2	0.7	2.6	2.8	3.2
Retail Sales (% growth)	2.8	4.6	18.1	-4.7	6.1	5.2	0.5	4.6	7.6	8.2
Personal Saving Rate (Level, %)		-1.1	-1.0	-0.8		-1.0	-0.7	-0.2	-0.1	2.2
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		4.9*	3.7	1.2		4.1	2.9	3.5	3.4	2.2
Core CPI-U Inflation (% growth)		1.2*	2.4	2.4		3.2	2.4	2.5	2.4	2.1
Compensation per Hour (% growth)						4.6	3.5	3.8	4.3	3.2
Output per Hour (% growth)						-1.2	2.0	3.0	4.3	2.6
Financial Markets										
T-Bill Rate, 3-month (Level, %)	3.5	3.6	3.9	4.4	3.7	4.8	6.0	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	5.3	5.4	5.1	4.9	5.3	5.1	5.6	5.9	6.0	5.7
Federal Funds Rate (Level, %)	4.0	4.2	4.8	5.3	4.3	5.6	6.5	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	10767	11105	10235	10081	10669	10513	10586	10882	10735	10465
Sources:	Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.									
Notes:	Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted annual rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.									
	* Subject to revision this week.									

Major Economic News Due This Week:

- C Industrial Production, June [Release: Tuesday, July 17, 2001]
- C Consumer Price Index, June [Release: Wednesday, July 18, 2001]
- C International Trade, May [Release: Thursday, July 19, 2001]

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